



Nebraska Sales and Use Tax

General Information 2014

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in conjunction with the oral presentation given by
Departmental training staff.*

It is not intended to be a stand-alone document.

*It is not an information guide, nor does it carry
regulatory or statutory authority.*

*Nebraska tax statutes, regulations,
information guides, and other resources are available
at revenue.nebraska.gov.*

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THE INTERN NEBRASKA PROGRAM
A program of the Nebraska Department of Economic Development

What is InternNE.com?

- Premier source of paid internships in Nebraska
- Any business may post paid, quality internships and any student may search for internship opportunities on InternNE.com.

What is the InternNE Grant Program?

- Program providing financial assistance to employers creating new internship opportunities

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THE INTERN NEBRASKA PROGRAM
A program of the Nebraska Department of Economic Development

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ded.InternNE@nebraska.gov

Or 402-471-3368

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- Set up a **profile** – enter your email address, optional password, and select the topics of interest.
- You can change your **profile** at any time by adding or deleting topics, changing the frequency of email alerts, or changing your email address.
- No special software – all you need is a valid email address and an Internet browser!

Try it out!

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E-filing and Payment Mandates

The payment threshold is lowered annually.

- | | |
|----------------|----------|
| • July 1, 2013 | \$ 9,000 |
| • July 1, 2014 | \$ 8,000 |
| • July 1, 2015 | \$ 7,000 |

Any businesses with multiple locations that have been granted permission to file “combined” sales tax returns must e-file.

For more detailed information on e-file and e-pay requirements, see our [website](#).

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Today's Agenda

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?
- Other Tax Information

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Nebraska Sales Tax

For more information, see the [Sales and Use Tax Regulations](#) on our website.

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Nebraska Sales Tax

Sales tax is...

- ... a transactional tax,
- ... based on the transaction,
- ... rather than the item sold.

A sale is...

- ... the transfer of title or possession,
- ... of an item or taxable service,
- ... for consideration.

Where the item or service is delivered determines the local sales tax rate and to whom the tax is due.

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Nebraska Sales Tax (continued)

A lease or rental of tangible personal property...

- ...can be a sale,
- ...if there is transfer of possession.

Sales tax is due on each lease or rental payment.

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Nebraska Sales Tax (continued)

All sellers...

- ...are the consumers of anything they use to sell their items and services; and
- ...must pay tax on them.

Example 1. Cash registers

Example 2. Security services

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Taxable Services

- Animal specialty services
- Building cleaning
- Computer software training
- Detective services
- Installing/applying tangible personal property
- Motor vehicle towing, washing/waxing, painting
- Pest control services
- Recreational vehicle (RV) park services
- Security services
- Repair labor (with 5 exceptions – see slide 55)

For a more complete list of taxable and nontaxable services, see the [Nebraska and Local Sales Tax Information Guide](#) on our website.

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All service providers...

...are the consumers of the taxable items and services used to provide the service; and
...must pay tax on those items or services
(even if the charge for the service is also taxable).

Example 1: The carwash does not sell soap and wax, but a “car wash.”

Example 2: A window cleaner is not selling window cleaning solution, but “clean windows.”

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Collecting Sales Tax

- Collected by the seller as an agent for the State
- Held in trust for the State of Nebraska
- Must have a sales tax permit
- Collection fee

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Sales Tax is Calculated on Gross Receipts

Gross receipts...

...means the total amount of a sale or lease for a consideration.

Sales tax is calculated on the gross receipts of the sales transaction.

For more information, see [Reg-1-007](#) – Gross Receipts Defined.

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Delivery Location and the Local Sales Tax

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Delivery Location and Tax Rate

The delivery location determines the Local Sales Tax.

- The delivery location is where the purchaser picks up the item or where he/she takes possession of it.
- The local sales tax rate depends on whether the delivery location is inside or outside city limits.
- When delivery is outside Nebraska, contact the other state.

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Delivery Location and Tax Rate (continued)

Local Sales Tax Increase

Neb. Rev. Stat. § 77-27,142

- A municipality, except Omaha, may impose a local sales tax of 1.75% or 2% if the rate increase is approved by at least 70% of the municipality's governing body and by a vote of the voters residing in the municipality.
- For further information, contact Karen Barrett at 402-471-5980.

[Sales Tax Rate Finder](#)

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Collecting, Documenting, and Reporting Sales Tax

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The Bottom Line for Sales Tax

- All sales transactions are presumed taxable.
- Sales tax must be separately stated (with 4 exceptions).

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The Bottom Line for Sales Tax

Sellers must collect sales tax
or
document why they did not.

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Documenting Exempt Sales

- **Form 13**
- Sellers keep completed copies of Form 13.
- A “blanket” form is valid until it is revoked in writing by the purchaser.

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Documenting Exempt Sales

Nebraska Resale Certificate
Form 13, Section A

- Purchases for resale
- Items that become a component part of a product to be sold

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Form 13, Section A

 Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		FORM 13
NAME AND MAILING ADDRESS OF PURCHASER Name _____ Street or Other Mailing Address _____ City _____ State _____ Zip Code _____		NAME AND MAILING ADDRESS OF SELLER Name _____ Street or Other Mailing Address _____ City _____ State _____ Zip Code _____
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		
SECTION A—Nebraska Resale Certificate Description of Item or Service Purchased _____ I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase for resale, rental, or lease in the normal course of our business, either in the form or condition in which purchased, or as an ingredient or component part of other property to be resold. I further certify that we are engaged in business as a: <input type="checkbox"/> Wholesaler <input type="checkbox"/> Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Lessor of Description of Product Sold, Leased, or Rented _____ and hold Nebraska Sales Tax Permit Number 01- _____ If None, State Reason _____ or Foreign State Sales Tax Number _____ State _____		

For more detailed information, refer to the [Form 13 instructions](#).General STX
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Form 13, Section B**

- Specific governmental units
 - [Governmental Entities](#) – Information guide
 - [Reg-1-012C](#) – Entity-based exemptions
- Certain exempt organizations
 - [Nonprofits](#) – Information guide
 - [Nonprofits](#) – PowerPoint slides
 - [Reg-1-090](#) – Nonprofit organizations
 - [Reg-1-091](#) – Religious organizations
 - [Reg-1-092](#) – Educational institutions

more...

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2014 - 26**Form 13, Section B**

- Qualified manufacturing machinery and equipment (MME)
 - [MME](#) – Information guide
 - [MME](#) – PowerPoint slides
 - [Reg-1-107](#) – MME Exemption
- Vehicles and parts for vehicles used by a common or contract carrier
 - [Common or Contract Carrier](#) – Information guide
 - [Reg-1-069](#) – Common & Contract Carriers


more...

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2014 - 27**Form 13, Section B**

- Qualified commercial agricultural machinery and equipment (ag exemption)
 - [Ag](#) – Information guide
 - [Agri-business](#) – PowerPoint slides
 - [Reg-1-094](#) – Ag machinery & equipment refund
- Occasional sales (This exemption is very limited in scope!)
 - [Reg-1-022](#) – Occasional sales

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Form 13, Section B

 Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		FORM 13 RESET FORM
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER
Name _____		Name _____
Street or Other Mailing Address _____		Street or Other Mailing Address _____
City _____	State _____ Zip Code _____	City _____ State _____ Zip Code _____
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		
SECTION B—Nebraska Exempt Sale Certificate		
The basis for this exemption is exemption category _____ (Insert appropriate category as described on reverse of this form.) If exemption category 2 or 5 is claimed, enter the following information: Description of Item(s) Purchased _____ Intended Use of Item(s) Purchased _____		
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number: 05-_____ If exemption category 6 is claimed, seller must enter the following information and sign this form below: Description of Item(s) Sold _____ Date of Seller's Original Purchase _____ Was Tax Paid when Purchased by Seller? <input type="checkbox"/> YES <input type="checkbox"/> NO Was Item Depreciable? <input type="checkbox"/> YES <input type="checkbox"/> NO		
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For more information, see Form 13 instructions .		

**Form 13, Section C –
For Contractors Only**

 Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption <small>• Read instructions on reverse side/see note below</small>		FORM 13 RESET FORM
NAME AND MAILING ADDRESS OF PURCHASER		NAME AND MAILING ADDRESS OF SELLER
Name _____		Name _____
Street or Other Mailing Address _____		Street or Other Mailing Address _____
City _____	State _____ Zip Code _____	City _____ State _____ Zip Code _____
Check Type of Certificate <input type="checkbox"/> Single Purchase <input type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.		
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)		
SECTION C—For Contractors Only		
1. Purchases of Building Materials or Fixtures: <input type="checkbox"/> As an Option 1 or Option 3 contractor, I hereby certify that purchases of building materials and fixtures from the above seller are exempt from Nebraska sales tax. My Nebraska Sales or Consumer's Use Tax Permit Number is: 01-_____.		
2. Purchases Made Under Purchasing Agent Appointment on behalf of _____ (insert name): <input type="checkbox"/> Pursuant to an attached Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17, I hereby certify that purchases of building materials, and fixtures are exempt from Nebraska sales tax.		

There is a seminar just for contractors! Check the schedule to attend a class, request that we set a date to work with you directly, or check out the presentation using the link above!

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Nebraska Form 13**Errors**

- Seller accepts other state's form
- Incomplete or inaccurate
 - Completed with inaccurate information
 - Business entity type has changed, form is not valid

Things to consider

- Put process in place that makes sense for your business
- When accepting the Form 13, check for errors or omissions on the form
- Evaluate form storage system
 - Be sure you can locate forms upon request
 - Digital storage is acceptable

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- E-file a Form 10.
- For e-file instructions, please go to the Department's website.
- A return must be filed even if there are no sales to report.

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CUSTOMER_ACCEPTANCE_TESTING

NebFile for Business

Sales and Use Tax 8888888 123 SALES CORPORATION 02/2010

START RETURN COMPLETE FORMS MAKE PAYMENT

Schedule 1 | NEV | Form 10 | Review Forms

Schedule 1 - Local Sales and Use Tax

The program defaults to calculate tax when the amount subject to tax is entered. Click [Enter Tax](#) to have the program calculate the amount subject to tax when tax is entered.

Select File to Upload

Click this button to select a comma-separated values (CSV) file to upload. [Click here](#) for a description of the required format.

Local Jurisdiction Local Code	Rate	Use Tax		Sales Tax	
		1 Amount Subject to Local Use Tax	2 Local Use Tax	3 Amount Subject to Local Sales Tax	4 Local Sales Tax
Elgin (164)	.010		Enter Tax .00		.00
Totals		.00	.00	.00	.00

Select a Jurisdiction Not Listed Above

Select One

(To add a jurisdiction click below)

- The file upload feature allows taxpayers who report sales tax to multiple tax jurisdictions to upload a comma-separated values (CSV) file.
- There is no requirement to use this feature. It is simply a convenience some filers may choose. See "Click here" for more information.

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NebFile for Business

Collecting, Documenting, and Reporting Sales Tax (continued)

Nebraska Net Taxable Sales and Use Tax Worksheets

Net Taxable Sales Worksheet

1. Gross Sales and Services in Nebraska (Line 1, Form 10)

ALLOWABLE EXEMPTIONS AND DEDUCTIONS FROM GROSS SALES

A. Sales of nontaxable services as shown in Regulation 11-121

B. Sales of items sold for resale as shown in Regulation 11-0131

C. Sales to exempt purchasers as shown in Regulation 11-0121

D. Sales of exempt items as shown in Regulation 11-0121

E. Exempt Sellers as shown in Regulation 11-0121

F. Use-based exemptions as shown in Regulation 11-0121

G. Other allowable deductions. Click here for a list of allowable deductions and the applicable regulations

H. Subtotal of all allowable exemptions and deductions (A through G)

2. Net Taxable Sales (Line 1 minus Line H) Line 2, Form 10

Nebraska Use Tax Worksheet

Cost of items and taxable services purchased for use in Nebraska on which tax was not paid

Cost of items withdrawn from inventory for personal or business use

Total amount subject to Nebraska use tax (line 1 plus line 2)

Nebraska use tax (line 3 multiplied by the rate identified on line 3 of Form 10)

Credit for tax paid to other states on items in line 4

Nebraska use tax due (line 4 minus line 5). Line 4, Form 10

Move values below to Form 10

Form 10, Line 1 Form 10, Line 2 Form 10, Line 4

This screen shows the optional Net Taxable Sales Worksheet used to help calculate lines 1 and 2 on Form 10.

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NebFile for Business

Sales and Use Tax 8888888 123 SALES CORPORATION 2/2010

START RETURN COMPLETE FORMS MAKE PAYMENT

Schedule 1 | NEV | Form 10 | Review Forms

Form 10

Click here to use the worksheet for lines 1, 2, and 4

Nebraska and Local Sales and Use Tax Return - Form 10

1. Gross sales and services	1.	
2. Net Taxable sales	2.	
3. Nebraska sales tax (line 2 multiplied by 0.055)	3.	
4. Nebraska use tax	4.	
5. Local use tax (From Schedule 1)	5.	40.00
6. Local sales tax (From Schedule 1)	6.	60.00
7. Total Nebraska and local sales tax (line 3 plus line 6)	7.	60.00
8. Sales tax collection fee (line 7 multiplied by 0.025; Maximum allowed \$75.00 per location)	8.	1.50
9. Sales tax due (line 7 minus line 8)	9.	58.50
10. Total Nebraska and local use tax (line 4 plus line 5)	10.	40.00
11. Total Nebraska and local sales and use tax (line 9 plus line 10)	11.	98.50
12. Previous balance with applicable interest at 5.0% per year and payments received through	12.	
13. BALANCE DUE (line 11 plus or minus line 12). Pay in full with return	13.	98.50

Please click Save/Next to review your return.

Your return has not been filed until you receive a reference number.

Print this Form

Back Save Save/Next

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Nebraska e-pay

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Nebraska e-pay

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Nebraska Department of REVENUE

Property Assessment Motor Fuels Charitable Gaming Nebraska Lottery

Electronic Payment Options for State Taxes

Mandate Information

Nebraska e-pay

State withdraws funds from your bank account, based on the information you provide.

ACH Credit

You work with your bank to deposit funds into the State's bank account.

Tele-pay

Click the Tele-pay button above for instructions on paying taxes by phone.

Credit Card

Use a credit card to make tax payments.

Payment Plan

Work with the Department to pay your balance due.

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Nebraska e-pay (continued)

Make Payment

Manage Accounts

Pending Payments

Payment History

Change Password

Make a Payment - 11010 - Carline Tax

*Required Field

PAYMENT INFORMATION

Payment Amount: 5000.00

Payment Method: eCheck

Payment Date: 08/14/2013

PAYMENT DETAILS

Tax Period End Date (MMDDYYYY):* 07312013 Tax Period End Date for single payments can be for past dates but should not be for future dates or before 01011968 (January 1 1968).

Nebraska ID: 2030400

ACCOUNT SELECTION

Please select an account:* * Use new Bank account

Continue Cancel

Browser Requirements

When setting up a payment in e-pay, be sure to enter the correct payment amount with the decimal point.

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Nebraska e-pay (continued)

Make Payment

Manage Accounts

Pending Payments

Payment History

Change Password

Make a Payment - 11010 - Carline Tax

*Required Field

PAYMENT INFORMATION

Payment Amount: 500000.00

Payment Method: eCheck

Payment Date: 08/14/2013

PAYMENT DETAILS

Tax Period End Date (MMDDYYYY):* 07312013 Tax Period End Date for single payments can be for past dates but should not be for future dates or before 01011968 (January 1 1968).

Nebraska ID: 2030400

ACCOUNT SELECTION

Please select an account:* * Use new Bank account

Continue Cancel

Browser Requirements

If you fail to enter the decimal point... the \$5,000 payment will become \$500,000!

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What is Use Tax?

For more information, see [Reg-1-002 - Use Tax](#).

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What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax -
 - Sales tax is collected and remitted by the seller.
 - Use tax is paid directly to the Department by the purchaser/consumer.

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Use Tax and Sales Tax Have These Things in Common –

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
 - Where delivery occurs; or
 - Where first usage in Nebraska takes place.

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When Use Tax is Due

- Use tax is often due when purchases are made from an out-of-state seller
 - Internet, catalog, mail order
 - Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
 - Auto mechanic
 - Hair salon

Note: Be sure to maintain good records!

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Reporting Use Tax

- Businesses report use tax on:
 - Form 10; or
 - Form 2.
- Individuals report use tax on:
 - Form 3;
 - Form 1040N; or
 - Form 2 (only if claiming credit for tax paid to another state).

Note: Do not use Form 1040XN to make changes to individual use tax filings.

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Use Tax (continued)

Businesses that hold a Nebraska Sales and Use Tax Permit, must use Form 10.

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Use Tax (continued)

This screen shows the optional Nebraska Use Tax Worksheet used to help calculate line 4 on Form 10.

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Use Tax (continued)

- On Schedule I, local jurisdictions reported within the last 12 months will be shown.
- The program defaults to enter the "Amount Subject to Tax." Click on the blue "Enter Tax" link to enter the amount of tax.

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Use Tax (continued)

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Business Nebraska and Local Use Tax Return
PLEASE DO NOT WRITE IN THIS SPACE

FORM 2

1 Cost of taxable items or services purchased for use in Nebraska when Nebraska sales tax has not been paid. (Include the cost of items withdrawn from inventory for use.)

2 Nebraska use tax due (line 1 multiplied by .055)

Local Use Tax Table (see instructions)			
CITY OR COUNTY <small>CLICK HERE FOR CURRENT CODES AND RATES</small>	LOCAL CODE	LOCAL TAX RATE	COLUMN A <small>Amount Subject to Local Use Tax (Rate x Column A)</small>

3 Total local use tax due (add amounts in Column B)

4 Total Nebraska and local use taxes due (line 2 plus line 3)

5 Credit for tax properly paid to other states and taxing jurisdictions on items included on line 1 (see instructions)

6 Net Nebraska and local use taxes due (line 4 minus line 5)

7 Previous balance with applicable interest at % per year and payments received through

☐ Check this box if your payment is being made by Electronic Funds Transfer (EFT).

8 BALANCE DUE (line 6 plus or minus line 7). Pay in full with this return.

I declare under penalties of perjury that I have examined this return, and to the best of my knowledge and belief, it is correct and complete.

sign here Signature of Proprietor/Owner/Partner _____ Date _____

This RETURN IS DUE ON OR BEFORE THE 25TH DAY OF THE MONTH FOLLOWING THE TAX PERIOD INDICATED ABOVE.

Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, PO BOX 98023, LINCOLN, NE 68509-8023.

www.revenue.ne.gov, (800) 742-7474 (NE and IA), (402) 471-5729

Use Tax (continued)

Businesses use **Form 2** if they do not hold a sales tax permit.

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Individual Nebraska and Local Use Tax Return
PLEASE DO NOT WRITE IN THIS SPACE

FORM 3

1 Cost of taxable items or services purchased for use in Nebraska when Nebraska sales tax has not been paid.

2 Nebraska use tax due (line 1 multiplied by .055)

Local Use Tax Table (see instructions)			
CITY OR COUNTY <small>CLICK HERE FOR CURRENT CODES AND RATES</small>	LOCAL CODE	LOCAL TAX RATE	COLUMN A <small>Amount Subject to Local Use Tax (Rate x Column A)</small>

3 Total local use tax due (add amounts in Column B)

4 Nebraska and local use tax due (line 2 plus line 3). Pay in full with this return.

I declare under penalties of perjury that I have examined this return, and to the best of my knowledge and belief, it is correct and complete.

sign here Signature of Proprietor/Owner/Partner _____ Date _____

Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, PO BOX 98023, LINCOLN, NE 68509-8023.

www.revenue.ne.gov, (800) 742-7474 (Nebraska and Iowa), (402) 471-5729

Use Tax (continued)

Individuals use **Form 3**.

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Nebraska Individual Income Tax Return
for the taxable year January 1, 2013 through December 31, 2013 or other taxable year:

**FORM 1040N
2013**

Your First Name and Initial _____ Last Name _____

If a Joint Return, Spouse's First Name and Initial _____ Last Name _____

Current Mailing Address (Number and Street or PO Box) _____

City _____ State _____ Zip Code _____

37 Total tax and penalty. Add lines 27 and 36.

38 Use tax due on Internet and out-of-state purchases. See instructions.

Enter purchases subject to state tax 91 \$ _____ State tax 92 \$ _____ (purchases x 5.5%);

Enter purchases subject to local tax 93 \$ _____ Local tax 94 \$ _____ (purchases x local rate of %)

95 Local code _____ (see local rate schedule);

Add state and local taxes and enter on line 38. If no use tax is due, enter -0- on line 38.

39 Total amount due. If line 35 is less than total of lines 37 and 38, subtract line 35 from the total of lines 37 and 38. Pay this amount in full. For electronic or credit card payment, check here ☐ and see instructions.

40 Overpayment. If line 35 is more than total of lines 37 and 38, subtract total of lines 37 and 38 from line 35.

41 Amount of line 40 you want applied to your 2014 estimated tax

42 Wildlife Conservation Fund donation of \$1 or more

Individuals can use the Form 1040N to report and pay use tax!

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Summary of Sales Tax

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?

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Other Tax Information

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Other Tax Information

- Labor Charges Associated with Personal Property ([Reg-1-082](#))
- Gross Receipts ([Reg-1-007](#))
- Prepaid Wireless Surcharge ([Department Web Page](#))
- Containers ([Reg-1-043](#))
- Software and Digital Goods and Services ([Reg-1-088](#))
- Manufacturing Machinery and Equipment (MME) ([Reg-1-107](#))
- Agricultural Machinery and Equipment ([Reg-1-094](#))
- Certificate of Clearance ([Neb. Rev. Stat. § 77-2707](#))
- Why Would We Audit You? ([Department Web Page](#))
- Records ([Reg-1-008](#))
- Graffiti Cleanup of Real Property ([Reg-1-098](#))

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Other Tax Information - Labor Charges

Labor Charges Associated with Personal Property

- Taxable
 - Production and assembly labor
 - Installation and repair labor when the item is taxable
- Exempt
 - Installation labor when the item is exempt
 - Repair labor (see the next slide)

For more information, see [Reg-1-082](#) – Labor Charges.

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Other Tax Information - Labor Charges (continued)

Exempt Repair Labor Charges

- Licensable motor vehicle
- Agricultural machinery and equipment used in commercial agriculture
- Qualifying prosthetic devices and durable medical equipment ([Form 13](#) required)
- Mobility-enhancing equipment ([Form 13ME](#) required)
- Qualified MME ([Form 13](#) required)

[Back to Taxable Services - Slide 13](#)

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Gross Receipts

Four exceptions to separately stating sales tax:

- Admissions
- Alcohol by-the-drink
- Concessions
- Vending machines

For more information, see [Reg-1-007](#) – Gross Receipts Defined.

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Example:

You charge your customer \$10 for a pitcher of beer in a city with a 1.5% local sales tax.

The customer's bill would show:	
Pitcher of beer	\$10

To determine gross receipts and the amount of sales tax:

- Divide \$10 by 1.07 (1 plus the total state and local sales tax rate). The gross receipts is \$9.35.
- Subtract \$9.35 from \$10 to get \$0.65, which is the tax.

Gross receipts (sales price)	= \$9.35
State and local sales tax	= \$0.65

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Delivery Charges

Delivery charges are taxable when:

- the buyer pays the seller for the delivery charge and
- the transaction is taxable.

Delivery charges are taxable regardless of the method of delivery.

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Delivery Charges

If you owe use tax on a purchase, you also owe use tax on any delivery charge paid to the seller as part of that purchase.

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Tips and Gratuities

- Discretionary (nontaxable)
- Mandatory (taxable)

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Prepaid Wireless Surcharge

Example:

Sale of a prepaid mobile phone with
500 minutes of prepaid wireless service

Phone	\$50.00
Prepaid wireless surcharge (\$50 X 1%)	.50
Sales tax (\$50 X 7%)	<u>+3.50</u>
Total	\$54.00

For more information, see [Department Web Page](#).

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Containers

There are two types:

- Returnable
 - Taxable to the person who will place contents into them.
- Nonreturnable
 - Nontaxable when the person will fill the container and sell the contents with the container.

For more information, see [Reg-1-043](#) – Containers.

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Software and Digital Goods & Services

Taxable Examples

Software/software installation

- Tangible medium
- Internet transferred software
- Software training/re-training by the seller
- Maintenance agreements with updates

Digital goods

- Electronic books and book clubs
- Downloading songs & ringtones
- Movies, music videos, & TV shows

Services

- Virus protection software, monitoring services, security services, and testing

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Software and Digital Goods & Services

Nontaxable Examples

Software/software installation

- Cloud computing
- Accessing web-based applications (no code necessary)
- Access codes for online subscription services

Digital goods

- Web design without license transfer
- Electronically-transferred photographs

Services

- Help desk without updates

For more information, see [Reg-1-088 – Software](#) and the [Computer Software](#) information guide.

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Manufacturing Machinery & Equipment (MME)

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Manufacturing Machinery and Equipment (MME) is Exempt:

When the purchaser of qualified equipment is engaged in manufacturing.

- The revenue test for manufacturing activity (See Reg 1-107.02)
no longer applies per
Farmers Cooperative v. Nebraska Department of Revenue.

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Manufacturing Machinery and Equipment (MME) is Exempt:

- A Form 13 must be issued to the retailer of the MME.
- The percent of usage test for manufacturing equipment (See Reg 1-107.02)
no longer applies per
Kerford Limestone Co. v. Nebraska Department of Revenue.

The Sales and Use Tax Regulations
will be updated to reflect the court decisions referenced above.

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MME Includes Machinery or Equipment Used for

- Producing, fabricating, assembling, processing, molding, shaping, finishing, refining, or packaging tangible personal property
- Transporting, conveying, handling, or storing the manufactured goods or raw materials
- Maintaining the integrity of the products or unique environmental conditions for the products or MME itself

more...

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MME Includes...

- Testing or measuring the product, the manufacturing process, or the quality of the finished products
- Computers, software, and peripheral equipment used to guide, control, operate, or measure the manufacturing process
 - Example:
Software used to direct robotic assembly line equipment to move the product down the line.

more...

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MME Includes...

- Self-constructed equipment
- Replacement parts
- Repair labor charges

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MME Does Not Include...

- Licensable motor vehicles
- Tools powered by hand
- Security equipment
- Safety apparel
- Office equipment
- Repair shop equipment
- Most cleaning equipment
- Equipment used for research and development

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Agricultural Machinery & Equipment

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Other Tax Information – Ag Machinery and Equipment

Agricultural Machinery and Equipment

Purchases are exempt if three criteria are met:

- The item is used directly in commercial agriculture;
- The item meets the definition of ag equipment; and
- The purchaser properly completes a Form 13, Section B.

For more information, see Reg-1-094 – Ag Machine and Equipment.

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Other Tax Information – Ag Machinery and Equipment (continued)

Commercial Ag includes:

- Producing food products or other useful and valuable crops; or
- Raising or caring for animals.

Note: The crops or animals can either be sold or used by the farmer/rancher to produce other products for sale.

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Other Tax Information – Ag Machinery and Equipment (continued)

Commercial Ag Also Includes:

- Feedlots
- Greenhouses
- Nurseries
- Sod farms
- Tree farms

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Repair and Replacement Parts for Ag Equip

- Effective October 1, 2014, all repair and replacement parts are exempt if both criteria are met
 - The property repaired is agricultural machinery and equipment
 - The equipment is used in commercial agriculture
- Farmers or ranchers must issue a Form 13, Section B, Category 2 to exempt these sales.
- Repair labor is sales tax exempt

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Ag Machinery and Equip (continued)

Form 13, Section B

Nebraska Department of REVENUE		Nebraska Resale or Exempt Sale Certificate for Sales Tax Exemption		FORM 13	
NAME AND MAILING ADDRESS OF PURCHASER				NAME AND MAILING ADDRESS OF SELLER	
Name		Name			
Street or Other Mailing Address		Street or Other Mailing Address			
City	State	Zip Code	City	State	Zip Code
Check Type of Certificate					
<input type="checkbox"/> Single Purchase <input checked="" type="checkbox"/> Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser.					
I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason:					
Check One <input type="checkbox"/> Purchase for Resale (Complete Section A) <input checked="" type="checkbox"/> Exempt Purchase (Complete Section B) <input type="checkbox"/> Contractor (Complete Section C)					
SECTION B—Nebraska Exempt Sale Certificate					
The basis for this exemption is exemption category 2 (Insert appropriate category as described on reverse of this form.)					
If exemption category 2 or 5 is claimed, enter the following information:					
Description of Item(s) Purchased farm machinery, repair and replacement parts			Intended Use of Item(s) Purchased commercial agriculture		
If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number: 05-					
If exemption category 6 is claimed, seller must enter the following information and sign this form below:					
Description of Item(s) Sold	Date of Seller's Original Purchase	Was Tax Paid when Purchased by Seller?	Was Item Depreciable?		
		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO		

For more information, see [Form 13 instructions](#).

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Ag Machinery and Equip (continued)

Ag equipment does not include:

- Real estate;
- Licensable motor vehicles, trailers, and semi-trailers;
- Equipment used in processing at a commercial facility;
- Well drilling equipment;
- Office equipment; or
- Other non-qualifying equipment.

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Just a Few More Things...

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Craft Fairs and Similar Events

When sellers make sales at

- Art shows
- Craft fairs
- Flea markets
- Trade shows

or similar events, they must collect and remit sales tax on the merchandise they sell.

Sales tax must be collected even if the activity is considered a hobby or recreational activity by the IRS.

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Craft Fairs

Collecting Sales Tax at Craft Fairs and Other Events

- All sellers of tangible personal property must have a Nebraska sales tax permit.
- Sellers who only sell tax exempt items are not required to have a permit.
 - Fruits, vegetables, bakery items
- Sellers must separately state the sales tax on the customer's receipt.
- Sales tax cannot be included in the price.

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Aircraft

Private or business aircraft ...

- Purchased in Nebraska
- Or brought into Nebraska within one year.
- Unless a specific exemption applies...

Are subject to Nebraska sales or use tax

The Department verifies that all appropriate sales and use tax have been paid.

- County Assessor
- Federal Aviation Administration (FAA)

If you have additional questions regarding sales and use tax on aircraft, contact Scott Arlt (402)370-3337 or, see Reg-1-067 - Aircraft and Related Services.

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Firearms

Firearms are subject to Nebraska sales or use tax if purchased...

- Over the counter
- At gun shows
- Or rented at a shooting range

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Using federal firearm dealers to transfer firearms

- If the local dealer collects the purchase amount, both the purchase price and dealer's transfer fee are subject to tax.
- If the local dealer does not collect the purchase amount, and is just merely transferring the firearm, the dealer's transfer fees are not subject to tax.

Note: Use tax is due on the total amount paid for the firearm, if Nebraska sales tax was not collected by the seller.

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Purchasing a Business = Buying a Liability?

The buyer can be held liable for taxes due by the previous owner up to the amount of the purchase price, even if a lien has not been recorded.

Protect yourself!

- Certificate of Clearance:
 - Buyer or seller requests and receives the certificate in writing.
 - If buyer makes request, seller must sign the form.
 - Request the certificate by filing a Form 36, Tax Clearance Application.
 - Form 36 should be filed at least 15 days prior to closing.
- The Department will:
 - Advice whether or not buyer should withhold funds from the purchase amount, including any assumed debt, to cover outstanding tax liability.

For more information see Successor in Interest, [§ 77-2707 Sales and Use Tax](#), and Transferee, [§ 77-27.110 Income Tax Withholding](#).

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Failure to Keep Records Could Lead to:

- Tax assessments
- License suspension
- License revocation

For more information, see [Neb. Rev. Stat. § 77-2705\(6\)\(a\)\(ii\)](#)

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Why Would We Audit You?

- Audit of another taxpayer
- Department staff experiences
- Referrals from outside sources
 - Media
 - Tip line
 - Other government agencies
- Data mining
 - Comparisons with other companies
 - Trends, patterns, and relationships
 - Industry standards
- Follow-up audits

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Records

- Every seller is required to keep records.
 - Documents
 - List of items or services consumed in the business
 - Normal books of account
 - Receipts showing taxes paid
 - Resale and exempt sale certificates
 - Schedules
 - Working papers used in preparing tax returns

We recommend you retain records for 5 years after a return is filed.

For more information, see Reg-1-008 – Records.

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Taxpayer assistance
800-742-7474

revenue.nebraska.gov

Thank you!

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